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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

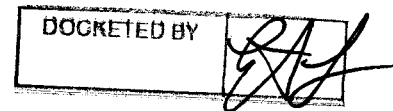
SUSAN BITTER SMITH, CHAIRMAN
BOB STUMP
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TOM FORESE
DOUG LITTLE

Arizona Corporation Commission

DOCKETED

JAN 16 2015

ORIGINAL



IN THE MATTER OF THE APPLICATION
OF PARK WATER COMPANY, INC. FOR
AN INCREASE IN ITS WATER RATES

DOCKET NO: W-02353A-14-0323

**RESPONSE TO STAFF REPORT
FOR PARK WATER COMPANY'S
APPLICATION FOR A RATE
INCREASE**

Park Water Company, Inc., ("Company" or "Park") hereby responds to the Staff

Report as follows:

Rate Base

The Company has adopted most of the Rate Base elements proposed by Staff with a few exceptions. The Company agrees with Staff on the total plant amount of \$335,123.

Park agrees with Staff's recommendations regarding security deposits, CIAC, total CIAC amortization, and cash working capital.

Notwithstanding the general agreement, Park does differ with Staff regarding the classification of certain plant originally valued at \$1,291. The \$1,291 listed on Staff

1 Report Schedule JLK-2, page 2 of 3 consists of Computer Equipment, not Office
2 Furniture and Fixtures. This was a source of confusion in the last rate case, but a review
3 of the entries that comprise the \$1,291 reveals this amount should be categorized as
4 Computer Equipment. See Attachment 1 (page 15 exert from Park Application for the
5 test year ending December 31, 2009). In that case, the Company identified that amount
6 as computer equipment and classified it as such on the application. See Attachment 2
7 (Schedule BCA-2, page 2 of 5, listing \$1,291 under Office Furniture and Equipment).
8
9 There was no adjustment to move the \$1,291 from account 340.1 to 340. In fact, account
10 340.1 is not listed. To further confuse the issue, in the last rate case the associated
11 accumulated depreciation for this asset is listed under Computers and Software. See
12 Attachment 3 (Schedule BCA-2, Page 4 of 5). As a result, Park believes that the full
13 amount of \$2,208 should all be classified in account 340.1 to properly account for the
14 actual assets.
15
16
17

18 Further, Park and Staff differ widely on the total amount of accumulated
19 depreciation. Park has gone back and reviewed its depreciation calculations and found an
20 error that has been corrected. However, this did not account for the large difference
21 between the Company and Staff. Staff did not provide detail of its accumulated
22 depreciation calculations, or the accumulated depreciation amounts by plant category.
23
24 Therefore, the Company is providing Schedule 7 to support its depreciation calculations.
25 See Attachment 4.
26
27
28

1 In summary, the Company requests the Commission adopt its rate base of
2 \$185,217 as reflected on Schedule 1, which is \$11,722 higher than Staff and attributed
3 entirely to the difference in accumulated depreciation amounts. See Attachment 5.
4

5 Expenses

6 With a few exceptions, the Company and Staff agree on the operating expenses.
7

8 Park believes the following adjustments are proper:

- 9 • Adjustment 1 – Park has updated this adjustment to adopt Staff adjustments
10 A through D;
- 11 • Adjustment 2 – proposed depreciation expense is calculated on Schedule 3;
- 12 • Adjustment 3 – property taxes are calculated on Schedule 4;
- 13 • Adjustment 4 – income taxes are calculated on Schedule 5; and
- 14 • Adjustment 5 – Staff adjustment A removed WIFA administration fees
15 from Office Expenses, but failed to reclassify them to interest expense.
16

17 The Company's position is reflected in Schedule 2 set forth herein in Attachment 6. The
18 primary differences between Staff and the Company are depreciation expense and annual
19 CIAC amortization. The \$1,348 in Structures and Improvements is fully depreciated, so
20 the \$45 expense on Staff Schedule 3, Page 4 of 5 is incorrect. This plant category has not
21 had additions since the last rate case, and per Schedule BCA-2, page 4 of 5, from the
22 Staff Report in Docket W-02353A-10-0242 (see Attachment 3), Staff made an
23 adjustment so this category was fully depreciated at that time.
24

25 Staff used a composite rate of 6.60% to calculate CIAC amortization. The
26 Company disagrees with the use of a composite rate as it is known that the entire amount
27 of the 2013 CIAC proceeds were categorized to transmission and distribution mains. The
28

1 CIAC funded assets are depreciating at 2% per year and the amortization rate should
2 match. Park urges the Commission to adopt the depreciation expense and CIAC
3 amortization detailed on Schedule 3 set forth in Attachment 6.
4

5 **Revenue Requirement**

6 Staff proposed a revenue requirement of \$105,152, which is an annual increase of
7 \$19,386. In its response, Park is proposing a revenue requirement of \$115,766, which
8 results in an annual increase of \$30,000. Based on the Staff proposed adjustments
9 adopted by the Company, Park has reduced its proposed revenue by \$4,000. The table
10 below compares various Staff amounts with the Company revised position:
11
12

13

	Park Revised	Staff
Rate Base	\$ 185,217	\$ 173,445
Operating Income	22,553	15,108
Rate of Return	12.18%	8.71%
Operating Margin	19.48%	14.37%
Cash Flow	\$ 21,721	\$ 21,808

14
15
16
17

18 The Company calculation of cash flow can be found on Schedule 2. See
19 Attachment 6. Staff Report page 6 states that cash flow is calculated as operating
20 income, plus depreciation expense, less debt service. Staff is proposing operating income
21 of \$15,108 and depreciation expense of \$15,437, which amount to \$30,545. The
22 difference between that number, \$30,545, and Staff's proposed cash flow amount,
23 \$21,808, is \$8,737. This amount **should equal** the debt service amount, but it does not.
24
25 Park pays WIFA \$1,425.14 each month (\$17,102 annually) for principal, debt service
26 reserve, interest and administrative fees. If the correct amount of debt service were used
27 in Staff's formula, the amount of cash flow would only be \$13,443, not \$21,808.
28

1 Park urges the Commission to adopt its proposed revenue requirement of
2 \$115,766. This amount of revenue results in a cash flow number that closely matches
3 what Staff proposed, but factors in the correct amount of debt service to arrive at that
4 cash flow amount.
5

6 **Rate Design**

7
8 The Company is submitting revised rates on Schedule 6 that meet the new revenue
9 requirement proposed. See Attachment 7. The rates proposed by Park generate revenue
10 equally from the monthly minimum and the commodity rates. The average customer on a
11 5/8" x 3/4" meter using 6,272 gallons per month will see their monthly bill increase from
12 \$47.36 at the present rates to \$70.10. This is an increase of \$22.74 per month, or 48.02%
13

14 Staff's rate design generated 44 percent of the revenue from the monthly minimum
15 and 56% from the tiers. Staff is recommending an increase of \$16.92 per month, or
16 35.70% for the average user. The commodity rates for the other meter sizes are
17 inconsistent.
18

19 Park urges the Commission to adopt its rate design for water sales. Park and Staff
20 agree on the amount of Service Line and Meter Installation Charges, and the Company
21 has adopted Staff's recommended Service Charges. The only exception is to include the
22 late fee amount at 1.5% as the Company requested in the application.
23

24 **BMPs**

25
26 Park believes it is unnecessary to adopt additional BMPs. Park is located within
27 the Pinal Active Management Area and is actively regulated by the Arizona Department
28 of Water Resources ("ADWR"). Park is compliant with ADWR's reporting and


1 conservation requirements, which includes its BMP program. Park's water loss is less
2 than 10%. Thus, there is no need to require Park to adopt additional conservation
3 obligations in the form of BMPs overseen by the Commission.
4

5 **Conclusion**

6 Park requests that the Commission adopt the revised Company position reflected
7 in this filing in its entirety.
8

9 RESPECTFULLY SUBMITTED this 16th day of January, 2015.

10 **MOYES SELLERS & HENDRICKS LTD.**

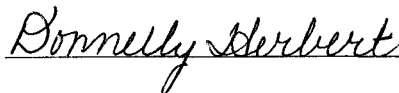
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12 
13 Steve Wene

14 Original and 13 copies of the foregoing
15 filed this 16th day of January, 2015 with:

16 Docket Control
17 Arizona Corporation Commission
18 1200 West Washington Street
19 Phoenix, Arizona 85007

20 Copies of the foregoing mailed
21 This 16th day of January, 2015 to:

22 Ms. Janice M. Alward
23 Chief, Legal Division
24 Arizona Corporation Commission
25 1200 W. Washington Street
26 Phoenix, Arizona 85007

27 
28

ATTACHMENT 1

COMPANY NAME: Park Water Company

Tax Year Ended: 2009

Name of System:

ADEQ Public Water System Number: 11-407

UTILITY PLANT IN SERVICE

Acet No.	Description	Original Cost	Accumulated Depreciation	OCLD
		Column A	Column B	Column C**
301	Organization			
302	Franchises			
303	Land & Land Rights	3,000	N/A	
304	Structures & Improvements	1,348	508	840
307	Wells & Springs	36,743	13,714	23,029
311	Pumping Equipment	45,407	45,407	0
320	Water Treatment Equipment			
320.1	Water Treatment Plants			
320.2	Solution Chemical Feeders			
330	Distribution Reservoirs & Standpipes			
330.1	Storage Tanks	7,102	1,784	5,318
330.2	Pressure Tanks			
331	Transmission & Distrib. Mains	18,760	3,857	14,903
333	Services			
334	Meters & Meter Installations	2,481	1,490	991
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant & Misc. Equipment			
340	Office Furniture & Equipment			
340.1	Computers & Software	1,291		1,291
341	Transportation Equipment			
343	Tools, Shop & Garage Equip.			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTAL WATER PLANT	116,132	66,760	49,372

* Must be the same as the amount reported on page 20

**Column C = Column A - Column B

ATTACHMENT 2

PLANT ADJUSTMENTS

	Company Exhibit	Adjustment	Staff Adjusted
301 Organization	\$0	\$0	\$0
302 Franchises	0	0	0
303 Land & Land Rights	3,000	0	3,000
304 Structures & Improvements	1,676	(328) a	1,348
307 Wells & Springs	240,946	(117,979) b	122,967
311 Pumping Equipment	29,305	78,652 c	107,957
320 Water Treatment Equipment	0	0	0
330 Distribution Reservoirs & Standpipes	0	0	0
330.1 Storage Tank	6,774	328 d	7,102
330.2 Pressure Tank	0	0	0
331 Transmission & Distribution Mains	18,760	(1,858) e	16,902
333 Services	0	0	0
334 Meters & Meter Installations	3,515	(1,034) f	2,481
335 Hydrants	0	0	0
336 Backflow Prevention Devices	0	0	0
339 Other Plant and Misc. Equipment	0	0	0
340 Office Furniture & Equipment	1,291	0	1,291
341 Transportation Equipment	0	0	0
343 Tools Shop & Garage Equipment	0	0	0
344 Laboratory Equipment	0	0	0
345 Power Operated Equipment	0	0	0
346 Communication Equipment	0	0	0
347 Miscellaneous Equipment	0	0	0
348 Other Tangible Plant	0	0	0
105 C.W.I.P.	0	0	0
TOTALS	\$305,267	\$ (42,219) A	\$263,048

Explanation of Adjustment:

- a - See Schedule 2, Page 3
- b - See Schedule 2, Page 3
- c - See Schedule 2, Page 3
- d - See Schedule 2, Page 3
- e - See Schedule 2, Page 3
- f - See Schedule 2, Page 3

ATTACHMENT 3

Park Water Company, Inc.
Docket No. W-02353A-10-0242
Test Year Ended December 31, 2009

Schedule BCA-2
Page 4 of 5

ACCUMULATED DEPRECIATION ADJUSTMENT

	<u>Amount</u>
Accumulated Depreciation - Per Company	\$ 78,004
Accumulated Depreciation - Per Staff	79,258
Total Adjustment	\$1,254

Explanation of Adjustment:

- B - To reflect Staff's calculation of accumulated depreciation expense based on Staff's adjustments to plant.

ACCT		ACCUMULATED DEPRECIATION		
No.	Description	Staff Calculated	Company Application	Staff Adjustment
301	Intangibles	\$ -	\$ -	\$ -
303	Land and Land Rights	-	-	-
304	Structures and Improvements	1,348	1,225	123
307	Wells and Springs	23,216	47,635	(24,419)
311	Electrical Pumping Equipment	34,758	11,055	23,703
320	Water Treatment Equipment	-	-	-
330	Distribution Reservoirs & Standpipes	-	-	-
330.1	Storage Tank	1,412	4,557	-
330.2	Pressure Tank	-	-	-
331	Transmission and Distribution Mains	16,902	11,360	5,542
333	Services	-	-	-
334	Meters and Meter Installation	1,493	1,914	(421)
335	Hydrants	-	-	-
339	Other Plant and Miscellaneous Equipment	-	-	-
340	Office Furniture and Fixtures	-	-	-
340.1	Computers and Software	129	258	(129)
341	Transportation Equipment	-	-	-
343	Tools and Work Equipment	-	-	-
345	Power Operated Equipment	-	-	-
346	Communications Equipment	-	-	-
348	Other Tangible Plant	-	-	-
	Total	\$ 79,258	\$ 78,004	1,254

ATTACHMENT 4

	Depr Rate	LAST DECISION				2010 Add	2010 Depr Exp	31-Dec-10		2011 Add	2011 Depr Exp	31-Dec-11	
		Adj Plant 12/31/2009	Accum Depr 31-Dec-09	Plant 12/31/2009	Accum Depr 31-Dec-09			Plant 31-Dec-10	Accum Depr 31-Dec-10			Plant 31-Dec-11	Accum Depr 31-Dec-11
303100 - Land & Land Rts		\$ 3,000	\$ -	\$ 3,000	\$ -			\$ 3,000	\$ -			\$ 3,000	\$ -
304100 - Struct & Improv.	3.33%	1,348	1,348	1,348	1,348		-	1,348	1,348		-	1,348	1,348
307100 - Wells & Springs	3.33%	24,943	23,216	24,943	23,216		831	24,943	24,047		831	24,943	24,877
	3.33%	98,024		98,024		30,725	3,776	128,749	3,776		4,287	128,749	8,063
311100 - Elec. Pump Equip	12.50%	39,388	34,758	39,388	34,758		4,630	39,388	39,388		-	39,388	39,388
	12.50%	68,569		68,569		378	8,595	68,947	8,595	2,500	156	68,947	17,213
	12.50%											2,500	156
330100 - Dist. Reservoirs		-		-			-	-	-		-	-	-
Storage Tanks	2.22%	7,102	1,412	7,102	1,412		158	7,102	1,570		158	7,102	1,727
331100 - Tran & Dist Main	2.00%	16,902	16,902	16,902	16,902		-	16,902	16,902		-	16,902	16,902
	2.00%	-		-		1,858	19	1,858	19		37	1,858	56
333100 - Services		-		-			-	-	-		-	-	-
334100 - Meters Purchased	8.33%	1,450	1,450	1,450	1,450		-	1,450	1,450		-	1,450	1,450
	8.33%	1,031	43	1,031	43		86	1,031	129		86	1,031	215
	8.33%	-		-			-	-	-	454	19	454	19
340100 - Computers	20.00%	1,291	129	1,291	129		258	1,291	387		258	1,291	645
	20.00%	-		-				-	-			-	-
		\$ 263,048	\$ 79,258	\$ 263,048	\$ 79,258	\$ 32,961	\$ 18,351	\$ 296,009	\$ 97,609	\$ 2,954	\$ 14,450	\$ 298,963	\$ 112,060

Plant and Depreciation

Test Year Ended: December 31, 2013

		2012	2012	31-Dec-12	31-Dec-12	2013	2013	31-Dec-13	31-Dec-13	31-Dec-13
	Depr Rate	Adds	Depr Exp	Plant	Accum Depr	Adds	Depr Exp	Plant	Accum Depr	Net Plant
303100 - Land & Land Rts				\$ 3,000	\$ -			\$ 3,000	\$ -	\$ 3,000
304100 - Struct & Improv.	3.33%		-	1,348	1,348		-	1,348	1,348	-
307100 - Wells & Springs	3.33%		66	24,943	24,943		-	24,943	24,943	(0)
	3.33%		4,287	128,749	12,350		4,287	128,749	16,638	112,111
311100 - Elec. Pump Equip	12.50%		-	39,388	39,388		-	39,388	39,388	-
	12.50%		8,618	68,947	25,832		8,618	68,947	34,450	34,497
	12.50%		313	2,500	469	17,667	1,417	20,167	1,885	18,282
330100 - Dist. Reservoirs			-	-	-		-	-	-	-
Storage Tanks	2.22%		158	7,102	1,885		158	7,102	2,043	5,059
331100 - Tran & Dist Main	2.00%		-	16,902	16,902		-	16,902	16,902	-
	2.00%		37	1,858	93	16,946	207	18,805	300	18,505
333100 - Services			-	-	-		-	-	-	-
334100 - Meters Purchased	8.33%		-	1,450	1,450		-	1,450	1,450	-
	8.33%		86	1,031	301		86	1,031	387	644
	8.33%	360	53	814	72	269	79	1,083	151	932
340100 - Computers	20.00%		258	1,291	904		258	1,291	1,162	129
	20.00%	917	92	917	92		183	917	275	642
		\$1,277	\$13,967	\$300,240	\$126,027	\$34,882	\$15,293	\$335,122	\$141,320	\$193,802

ATTACHMENT 5

DETAILS OF PROPOSED RATE BASE

Acct. No.	Description	Original Cost	Accumulated Depreciation	OCLD
301	Organization	\$ -	\$ -	\$ -
303	Land & Land Rights	3,000	-	3,000
304	Structures & Improvements	1,348	1,348	-
307	Wells & Springs	153,692	41,581	112,111
309	Supply Mains	-	-	-
311	Pumping Equipment	128,502	75,723	52,779
320	Water Treatment Equipment	-	-	-
320	Water Treatment Plants	-	-	-
320	Solution Chemical Feeders	-	-	-
330	Distribution Reservoirs & Standpipes	-	-	-
330	Storage Tanks	7,102	2,043	5,059
330	Pressure Tanks	-	-	-
331	Transmission & Distrib. Mains	35,707	17,202	18,505
333	Services	-	-	-
334	Meters & Meter Installations	3,564	1,988	1,576
335	Hydrants	-	-	-
336	Backflow Prevention Devices	-	-	-
339	Other Plant & Misc Equipment	-	-	-
340	Office Furniture & Equipment	-	-	-
340	Computers & Software	2,208	1,437	771
341	Transportation Equipment	-	-	-
343	Tools, Shop & Garage Equip.	-	-	-
345	Power Operated Equipment	-	-	-
347	Miscellaneous Equipment	-	-	-
348	Other Tangible Plant	-	-	-
	TOTAL WATER PLANT	\$ 335,123	\$ 141,322	\$ 193,801

Net Plant	\$ 193,801
Less Security Deposits	(850)
Less Contributions in Aid of Construction	(15,370)
Plus Amortization of CIAC	154
Plus 1/24 Power	438
Plus 1/8 Operation and Maintenance	7,044
Rate Base	\$ 185,217

ATTACHMENT 6

STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	2013 TEST YEAR	PROFORMA ADJUSTMENTS	REF #	ADJUSTED TEST YEAR	PROPOSED RATE INCR	REF #	PROPOSED RATES
461	Metered Water Revenue	\$ 84,614			\$ 84,614	\$ 30,000		\$ 114,614
460	Unmetered Water Revenue				-	-		-
474	Other Water Revenues	1,152			1,152	-		1,152
	TOTAL OPERATING REVENUES	\$ 85,766	\$ -		\$ 85,766	\$ 30,000		\$ 115,766
	OPERATING EXPENSES							
601	Salaries and Wages	\$ -			\$ -			\$ -
610	Purchased Water				-			-
615	Purchased Power	10,500			10,500			10,500
618	Chemicals				-			-
620	Repairs and Maintenance	1,980			1,980			1,980
621	Office Supplies & Expense	9,034	(5,922)	1	3,112			3,112
630	Outside Services	26,065	2,018	1	28,083			28,083
635	Water Testing	793	80	1	873			873
641	Rents	4,800			4,800			4,800
650	Transportation Expenses	4,573			4,573			4,573
657	Insurance - General Liability	1,745			1,745			1,745
659	Insurance - Health and Life	3,076			3,076			3,076
666	Regulatory Commission Exp-Rate Case		6,967	1	6,967			6,967
675	Miscellaneous Expense	1,146			1,146			1,146
403	Depreciation Expense	15,120	1,150	2	16,270			16,270
408	Taxes Other Than Income				-			-
408.11	Property Taxes	4,600	46	3a	4,646	1,374	3b	6,020
409	Income Tax	50	(2,204)	4a	(2,154)	6,217	4b	4,063
427.2	Customer Security Deposit Interest	5			5			5
	TOTAL OPERATING EXPENSES	\$ 83,487	\$ 2,135		\$ 85,622	\$ 7,591		\$ 93,213
	OPERATING INCOME/(LOSS)	\$ 2,279			\$ 144			\$ 22,553
	OTHER INCOME/(EXPENSE)							
419	Interest and Dividend Income	\$ -			\$ -			\$ -
421	Non-Utility Income				-			-
426	Miscellaneous Non-Utility Expenses				-			-
427	Interest Expense	(1,322)	(5,874)	5	(7,196)			(7,196)
434	Extraordinary Deductions							
	TOTAL OTHER INCOME/(EXPENSE)	\$ (1,322)			\$ (7,196)			\$ (7,196)
	NET INCOME/(LOSS)	\$ 957	\$ -		\$ (7,052)			\$ 15,357

Proposed Rate Base \$ 185,217
Proposed Rate of Return 12.18%
Proposed Operating Margin 19.48%

Proposed Operating Income \$ 22,553
Add Depreciation Expense 16,270
Less WIFA Debt Service (17,102) (\$1425.14 payment a mount times 12, includes P&I and debt service reserve)
Cash Flow \$ 21,721

Adj

- 1 This adjustment has been changed to adopt Staff adjustments A through D on Schedule 3, Page 1 of 5.
- 2 Please refer to Page 3.
- 3 Please refer to Page 4.
- 4 Please refer to Page 5.
- 5 To reclassify WIFA fees from office expenses to interest expense.

CALCULATION OF DEPRECIATION EXPENSE (Adj 2-Proposed Rates)

Acct. No.	Description	Original Cost	Depreciation Percentage	Depreciation Expense
301	Organization	\$ -		
303	Land & Land Rights	3,000		
304	Structures & Improvements ⁵	1,348	3.33%	-
307	Wells & Springs ¹	153,692	3.33%	4,287
309	Supply Mains	-		-
311	Pumping Equipment ²	128,502	12.50%	11,139
320	Water Treatment Equipment	-		-
320	Water Treatment Plants	-		-
320	Solution Chemical Feeders	-		-
330	Distribution Reservoirs & Standpipes	-		-
330	Storage Tanks	7,102	2.22%	158
330	Pressure Tanks	-		-
331	Transmission & Distrib. Mains ³	35,707	2.00%	376
333	Services	-		-
334	Meters & Meter Installations ⁴	3,564	8.33%	176
335	Hydrants	-		-
336	Backflow Prevention Devices	-		-
339	Other Plant & Misc Equipment	-		-
340	Office Furniture & Equipment	-		-
340	Computers & Software	2,208	20.00%	442
341	Transportation Equipment	-		-
343	Tools, Shop & Garage Equip.	-		-
345	Power Operated Equipment	-		-
347	Miscellaneous Equipment	-		-
348	Other Tangible Plant	-		-
	TOTAL WATER PLANT	\$ 335,123		\$ 16,578

CIAC Amortization	307
Net Depreciation Expense	<u>\$ 16,270</u>

CIAC	\$ 15,370
Amortization Rate ⁶	<u>2.00%</u>
	\$ 307

¹ \$24,943 of the total is fully depreciated.

² \$39,388 of the total is fully depreciated.

³ \$16,902 of the total is fully depreciated.

⁴ \$1,450 of the total is fully depreciated.

⁵ The total in this account is fully depreciated.

⁶ The contributions received in 2013 were used to install transmission lines, therefore it is appropriate to amortize the CIAC at the same depreciation rate as the associated assets, which is 2.00%.

DETAIL OF PROPERTY TAX EXPENSE ADJUSTMENT 3

<u>Line</u>	<u>Test Year as Adjusted</u>	<u>Company at Proposed Rates</u>
1 Adjusted 2013 Test Year Revenue	\$ 85,766	\$ 115,766
2 Weight Factor	2	2
3 Subtotal	\$ 171,532	\$ 231,532
4 Company Recommended Revenue	85,766	115,766
5 Subtotal	\$ 257,298	\$ 347,298
6 Number of Years	3	3
7 Three Year Revenue Average	\$ 85,766	\$ 115,766
8 AZ Department of Revenue Multiplier	2	2
9 Revenue Base Value	\$ 171,532	\$ 231,532
10 Plus 10% of CWIP	-	-
11 Less: Net Book Value of Licensed Vehicles	-	-
12 Full Cash Value	\$ 171,532	\$ 231,532
13 Assessment Ratio	18.50%	18.50%
14 Assessment Value	\$ 31,733	\$ 42,833
15 Composite Property Tax Rate *	14.6412%	14.6412%
16 Adjusted Test Year Property Tax Expense	\$ 4,646	
17 Actual Test Year Property Tax Expense	4,600	
18 Total Adjustment 3a	\$ 46	
19 Projected Property Tax Expense		\$ 6,271
20 Adjusted Test Year Property Tax Expense		4,897
21 Total Adjustment 3b		\$ 1,374

CALCULATION OF ADJUSTMENT 4 TO INCOME TAX EXPENSE

Line	Description			
1	Test Year			
2	Operating Income/(Loss) Before Taxes	\$	(2,163)	
3	Add Interest Income		-	
4	Less Estimated Interest Expense		<u>(7,196)</u>	
5	Arizona Taxable Income	\$	(9,359)	
6	Arizona Tax @ 6.968%			\$ (652)
7	Federal Taxable Income		(10,011)	
8	Federal Tax @ 15%			<u>(1,502)</u>
9	Total Adjusted Test Year Income Tax	\$		(2,154)
10	Test Year Income Tax Expense			<u>50</u>
11	Total Adjustment 4a to Test Year Income Taxes	\$	(2,204)	
12				
13	At Proposed Rates			
14	Operating Income/(Loss) Before Taxes	\$	26,616	
15	Add Interest Income		-	
16	Less Estimated Interest Expense		<u>(7,196)</u>	
17	Arizona Taxable Income	\$	19,420	
18	Arizona Tax @ 6.968%			\$ 1,353
19	Federal Taxable Income		18,067	
20	Federal Tax @ 15%			<u>2,710</u>
21	Total Proposed Income Tax	\$		4,063
22	Total Adjusted Test Year Income Tax			<u>(2,154)</u>
23	Total Adjustment 4b to Income Taxes at Proposed Rates	\$	6,217	

ATTACHMENT 7

PROPOSED RATES AND CHARGES

Monthly Minimum Charges			Company Proposed		Staff Proposed	
Meter Size	Rate	Gallons	Rate	Gallons		
5/8" x 3/4" Meter	\$ 38.75	0	\$ 31.00	0		
3/4" Meter	58.13	0	75.00	0		
1" Meter	96.88	0	75.00	0		
1-1/2" Meter	193.75	0	150.00	0		
2" Meter	310.00	0	240.00	0		
3" Meter	620.00	0	480.00	0		
4" Meter	968.75	0	750.00	0		
6" Meter	1,937.50	0	1,500.00	0		

Commodity Charge in Excess of Minimum (Charge Per 1,000 Gallons)

Company Proposed			Staff Proposed	
Tiers	Rate	Gallons	Rate	Gallons
First Tier	\$ 3.97	1 to 3,000	\$ 3.93	0
Second Tier	5.95	3,001 to 9,000	6.57	0
Third Tier	9.94	Over 9,000	9.51	0

SERVICE LINE AND METER INSTALLATION CHARGES

Meter Size	Company/Staff Proposed
5/8" x 3/4" Meter	\$ 600.00
3/4" Meter	700.00
1" Meter	810.00
1-1/2" Meter	1,075.00
2" Turbine Meter	2,720.00
2" Compound Meter	2,720.00
3" Turbine Meter	3,710.00
3" Compound Meter	3,710.00
4" Turbine Meter	5,315.00
4" Compound Meter	5,315.00
6" Turbine Meter	9,250.00
6" Compound Meter	At Cost

Service Charges	Company/Staff Proposed
Establishment	\$ 35.00
After Hours Service Charge	35.00
Reconnection (delinquent)	30.00
Meter Test	25.00
Meter Re-read	20.00
Deposit	*
Deposit Interest	*
Re-establishment (within 12 months)	**
NSF Check	\$ 25.00
Deferred Payment	1.50%
Late Fee	1.50%

* Per Commission Rule R14-2-403.B

** Months off system time the minimum per R14-2-403.D